

Explanatory Session for the First Quarter Results of the Fiscal Year Ending March 2009

August 2008

Leopalace21 Corporation

This document and reference materials may contain forward-looking statements, so please understand that actual results may differ significantly from these forecasts due to various factors.

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Results for Core Businesses during the First Quarter Ended June 2008



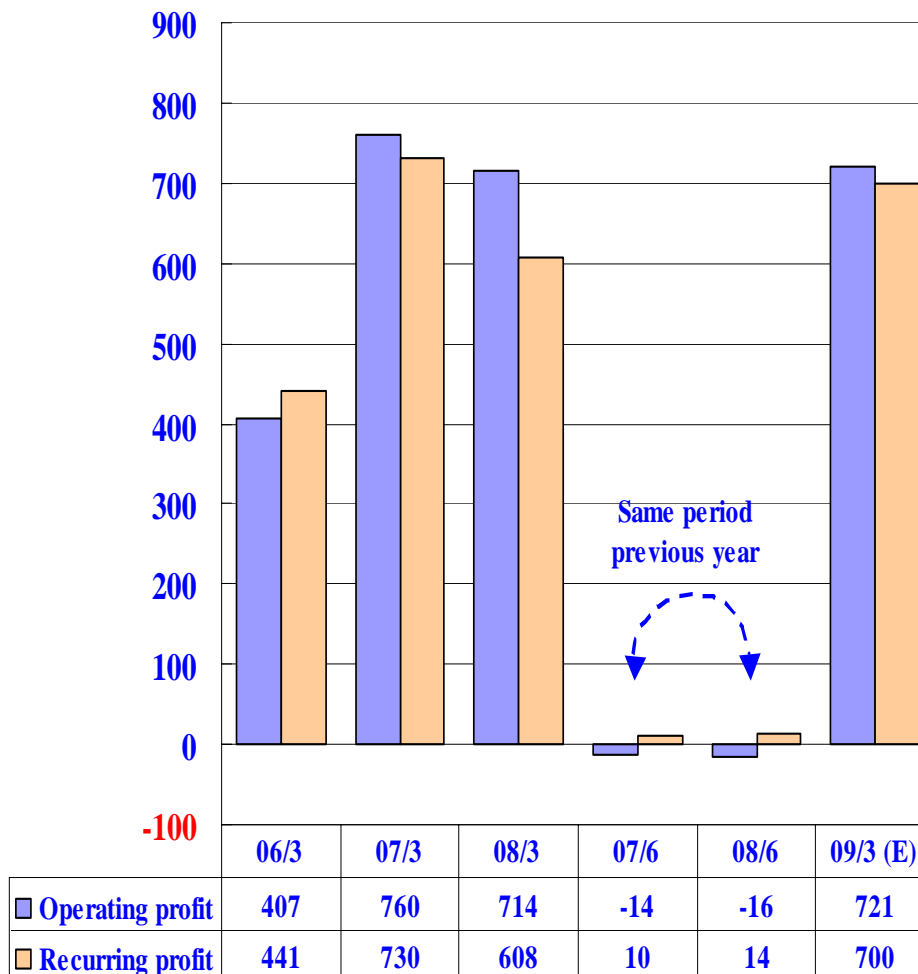
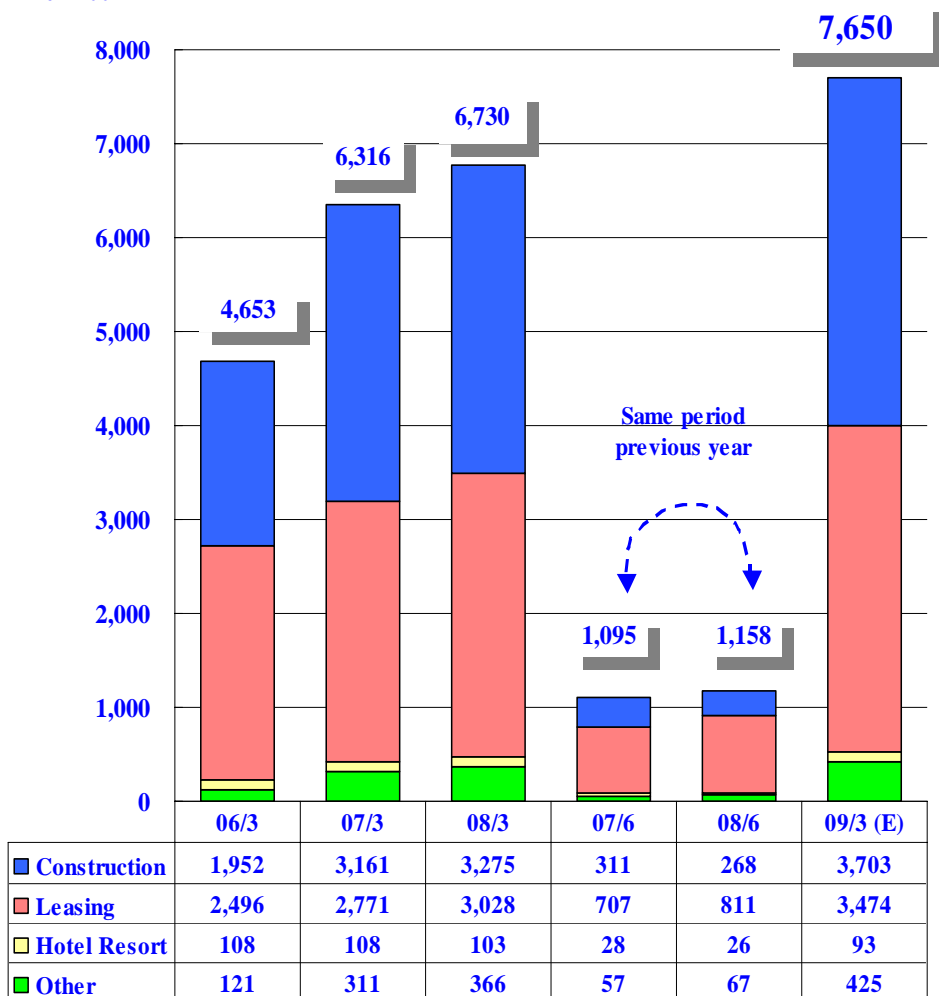
Actual Results and Forecasts of Our Group (Consolidated)

Actual Results and Forecasts for
Net Sales

Actual Results and Forecasts for
Operating Profit & Recurring Profit

Yen 100 mil

Yen 100 mil



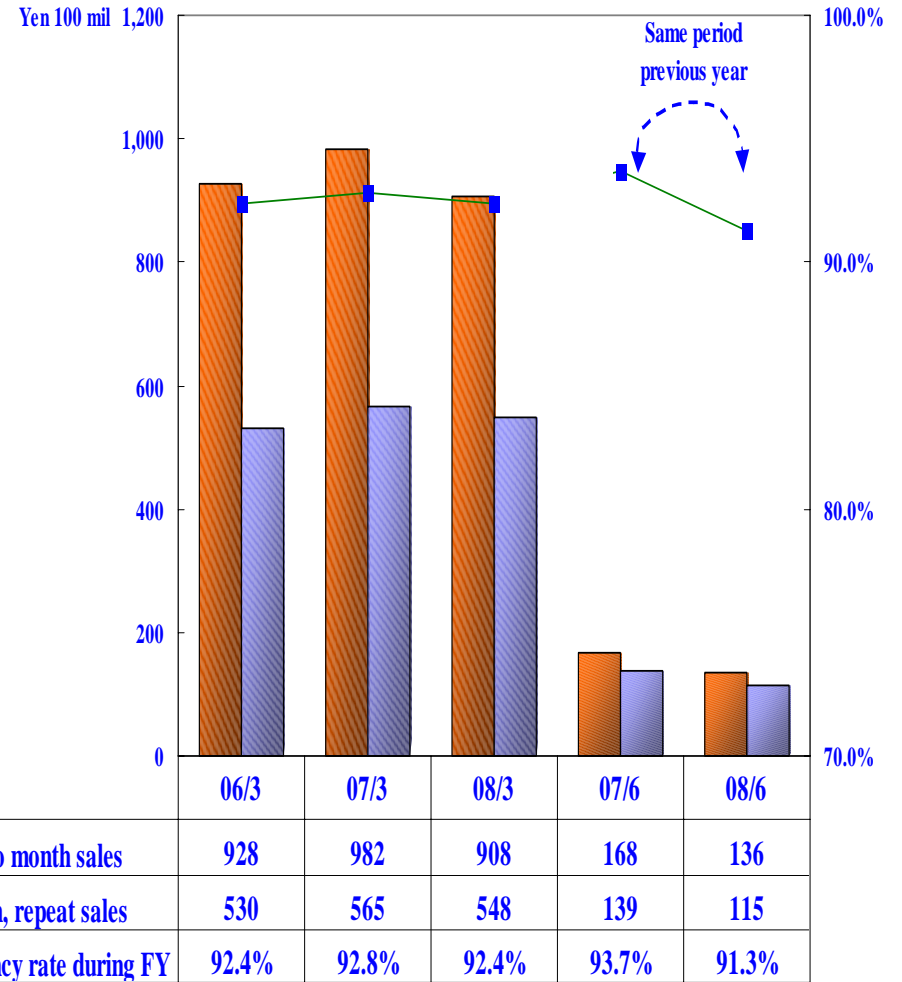
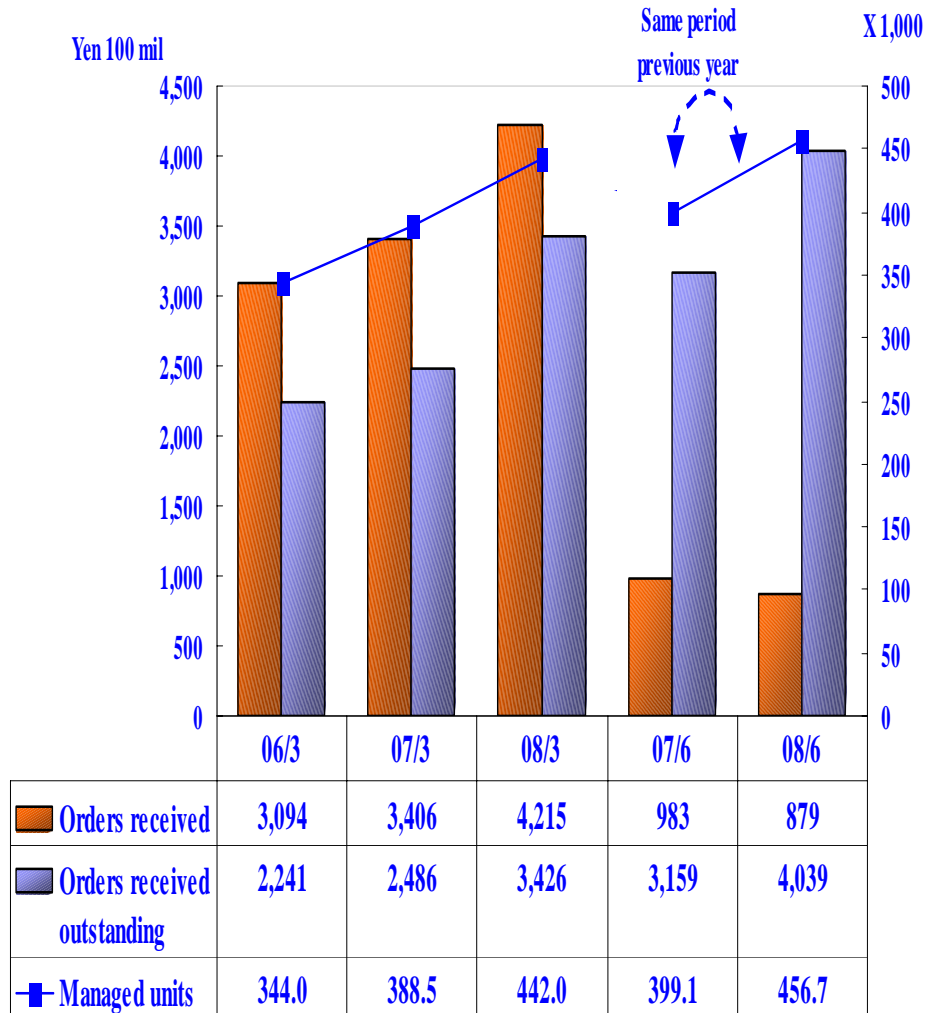
Actual Results and Forecasts in Construction & Leasing

Trend in Actual Results for Construction

1st Q FY 09/3

Trend in Actual Results for Leasing

1st Q FY 09/3



Outline of the First Quarter Results



Highlights of the First Quarter Results (Consolidated & Non-Consolidated)

(Unit: Yen million)	Consolidated				Non-Consolidated			
	June 2008 1st Quarter	June 2007 1st Quarter	Change in amount	Percentage change	June 2008 1st Quarter	June 2007 1st Quarter	Change in amount	Percentage change
Net sales	115,813	109,513	6,300	5.8%	114,489	107,633	6,856	6.4%
Gross Profit	21,566	20,775	791	3.8%	22,394	20,832	1,562	7.5%
Gross Profit ratio (%)	18.6%	19.0%	-0.3%	—	19.6%	19.4%	0.2%	—
Selling, general & administrative expenses	23,201	22,212	989	4.5%	24,298	23,041	1,257	5.5%
Operating profit (loss)	(1,634)	(1,436)	(198)	13.8%	(1,904)	(2,208)	304	-13.8%
Operating profit ratio (%)	-1.4%	-1.3%	-0.1%	—	-1.7%	-2.1%	0.4%	—
Recurring profit (loss)	1,367	992	375	37.8%	(1,589)	(1,789)	200	-11.2%
Recurring profit ratio (%)	1.2%	0.9%	0.3%	—	-1.4%	-1.7%	0.3%	—
Net income (loss)	(732)	1,304	(2,036)	-156.1%	(960)	(1,450)	490	-33.8%

Highlights of the First Quarter Results for Parent & Major Subsidiaries

(Unit: Yen million)		June 2008 1st Quarter	June 2007 1st Quarter	Change in amount	Percentage change	June 2008 depreciation expenses	June 2007 depreciation expenses
Leopalace21 Corporation	Net sales	114,489	107,633	6,856	6.4%	780	787
	Recurring loss	(1,589)	(1,789)	200	-11.2%		
LGC	Net sales	2,472	2,887	(415)	-14.4%	409	453
	Recurring profit	3,167	2,457	710	28.9%		
	Foreign exchange gain	2,694	1,828	866	—		
Others & exclusion	Net sales	(1,148)	(1,007)	(141)	14.0%	10	(8)
	Recurring profit (loss)	(211)	326	(537)	-164.7%		
Consolidated total	Net Sales	115,813	109,513	6,300	5.8%	1,199	1,232
	Recurring profit	1,367	992	375	37.8%		
	Foreign exchange gain	3,291	2,293	998	—		

Outline of Balance Sheet and Cash Flows (Consolidated)

June 2008 1st Q Balance Sheet

(Unit: Yen million)	June 2008 1st Quarter	June 2007 1st Quarter	Change in amount	FY ended March 2008
<Assets>				
Current assets	186,909	162,762	24,147	218,684
Cash & cash equivalents	50,532	55,539	(5,007)	60,965
Trade receivables & accounts receivable for completed projects	4,404	5,382	(978)	15,159
Operating loans	14,588	8,253	6,335	15,789
Real estate for sale	34,952	32,737	2,215	37,819
Payout for construction in progress	19,472	13,131	6,341	11,792
Fixed assets	270,257	269,710	547	275,265
Buildings & structures	71,042	83,034	(11,992)	76,556
Land	116,621	118,172	(1,551)	116,295
Construction in progress	2,764	2,149	615	1,901
Total assets	457,173	432,528	24,645	493,956
<Liabilities>				
Current liabilities	214,781	201,209	13,572	268,621
Long-term liabilities	95,455	51,409	44,046	55,179
Total liabilities	310,236	252,619	57,617	323,800
<Shareholder's equity>				
Share capital	55,640	55,640	—	55,640
Capital surplus	34,104	34,104	—	34,104
Retained earnings	67,510	81,966	(14,456)	76,211
Total shareholder's equity	146,936	179,908	(32,972)	170,155
Shareholder's equity ratio	32.1%	37.6%	-5.5%	33.4%

June 2008 1st Q Cash Flows

(Unit: Yen million)	June 2008 1st Quarter	June 2007 1st Quarter
Cash flows from operating activities	(17,818)	(48,085)
Net income before taxes & adjustments	(1,519)	1,561
Depreciation expenses	1,215	1,232
Foreign exchange loss	(3,291)	(2,293)
Decrease (increase) in accounts receivable	30,785	17,065
Decrease (increase) in real estate for sale	(963)	(4,971)
Decrease (increase) in amount paid for uncompleted works	(7,680)	(4,312)
Decrease (increase) in long-term prepaid expenses	64	1,027
Increase (decrease) in accounts payable	(64,456)	(41,684)
Income taxes paid	(14,317)	(27,059)
Cash flows from investing activities	(1,940)	(3,965)
Payout for purchase & proceeds from sale of tangible assets	(1,593)	(2,188)
Payout for purchase & proceeds from sale of investment securities	51	(1,075)
Cash flows from financial activities	9,537	31,347
Proceeds from & repayment of short-term debt	7,000	38,424
Proceeds from & repayment of long-term debt	15,477	(1,273)
Dividends paid to minority shareholders	(4,970)	(225)
Dividends paid for shareholders	(7,968)	(5,578)
Net increase (decrease) in cash & cash equivalents	(10,432)	(20,717)
Cash & cash equivalents at end of period	50,532	55,539

Profit/Loss for Major Segments (Consolidated)

(Unit: Yen million)	June 2008 1st Quarter	Sales comparison	June 2007 1st Quarter	Sales comparison	Change in amount	Percentage change	Forecasts for FY 2009	Sales comparison
Construction Division								
Net sales	26,757		31,112		(4,355)	-14.0%	370,300	
Gross profit	8,806	32.9%	10,496	33.7%	(1,690)	-16.1%	112,900	30.5%
Operating profit (loss)	(32)	-0.1%	2,717	8.7%	(2,749)	-101.2%	71,000	19.2%
Leasing Division								
Net sales	81,143		70,782		10,361	14.6%	347,400	
Gross profit	13,183	16.2%	10,159	14.4%	3,024	29.8%	56,600	16.3%
Operating profit (loss)	764	0.9%	(2,534)	-3.6%	3,298	-130.1%	6,200	1.8%
Hotel Resort Division					0			
Net sales	2,608		2,869		(261)	-9.1%	9,400	
Gross profit	530	20.3%	529	18.4%	1	0.2%	1,430	15.2%
Operating profit (loss)	(32)	-1.2%	221	7.7%	(253)	-114.5%	(1,100)	-11.7%
Other Division					0			
Net sales	6,729		5,717		1,012	17.7%	42,500	
Gross profit	413	6.1%	559	9.8%	(146)	-26.1%	7,140	16.8%
Operating profit (loss)	(740)	-11.0%	(379)	-6.6%	(361)	95.3%	1,300	3.1%

*Values for each are before eliminations between segments.

[Quarterly Data]

Earnings Results and Forecasts (Consolidated, cumulative)

Comulative (Unit: Yen million)	07/03				08/03				09/03	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	FY Forecasts
Net sales	142,714	306,360	418,518	631,608	109,513	317,108	426,452	672,973	115,813	765,000
Cost of sales	108,736	232,760	321,014	474,713	88,738	241,977	330,290	511,054	94,246	591,500
Gross profit	33,977	73,600	97,503	156,895	20,775	75,131	96,162	161,919	21,566	173,500
(%)	23.8%	24.0%	23.3%	24.8%	19.0%	23.7%	22.5%	24.1%	18.6%	22.7%
Selling, general & administrative expenses	19,441	39,227	58,049	80,887	22,212	44,486	65,144	90,516	23,201	101,400
(%)	13.6%	12.8%	13.9%	12.8%	20.3%	14.0%	15.3%	13.5%	20.0%	13.3%
Operating profit (loss)	14,535	34,372	39,453	76,007	(1,436)	30,644	31,017	71,402	(1,634)	72,100
(%)	10.2%	11.2%	9.4%	12.0%	-1.3%	9.7%	7.3%	10.6%	-1.4%	9.4%
Recurring profit	12,782	31,961	37,221	73,002	992	29,178	28,525	60,847	1,367	70,000
(%)	9.0%	10.4%	8.9%	11.6%	0.9%	9.2%	6.7%	9.0%	1.2%	9.2%
Net income (loss)	6,422	16,843	20,534	37,358	1,304	(11,848)	(13,185)	342	(732)	32,900
(%)	4.5%	5.5%	4.9%	5.9%	1.2%	-	-	0.1%	-0.6%	4.3%
Orders received (Period total)	73,125	158,104	241,133	340,606	98,397	203,733	306,440	421,534	87,954	410,000
Orders received outstanding (End of Period)	224,736	222,090	269,582	248,685	315,970	295,529	376,469	342,679	403,979	393,913
Managed units (End of period)	359,355	370,825	377,723	388,500	399,147	416,219	425,237	422,025	456,671	506,757
Occupancy rate (Period average)	92.9%	92.4%	92.2%	92.8%	93.7%	92.8%	92.2%	92.4%	91.3%	93.3%

[Quarterly Data]
Earnings Results (Consolidated, 1Q comparisons)

(Unit: Yen million)	05/03	06/03	07/03	08//03	09/03	
	1Q	1Q	1Q	1Q	1Q	FY Forecasts
Net sales	69,873	67,625	142,714	109,513	115,813	765,000
Cost of sales	58,029	56,965	108,736	88,738	94,246	591,500
Gross profit	11,843	10,660	33,977	20,775	21,566	173,500
(%)	16.9%	15.8%	23.8%	19.0%	18.6%	22.7%
Selling, general & administrative expenses	15,751	16,207	19,441	22,212	23,201	101,400
(%)	22.5%	24.0%	13.6%	20.3%	20.0%	13.3%
Operating profit (loss)	(3,907)	(5,547)	14,535	(1,436)	(1,634)	72,100
(%)	-5.6%	-8.2%	10.2%	-1.3%	-1.4%	9.4%
Recurring profit (loss)	(3,557)	(4,707)	12,782	992	1,367	70,000
(%)	-5.1%	-7.0%	9.0%	0.9%	1.2%	9.2%
Net income (loss)	(2,460)	(39,136)	6,422	1,304	(732)	32,900
(%)	-3.5%	-57.9%	4.5%	1.2%	-0.6%	4.3%
Orders received (Period total)	63,198	64,379	73,125	98,397	87,954	410,000
Orders received outstanding (End of period)	149,538	167,322	224,736	315,970	403,979	393,913
Managed units (End of period)	271,836	318,909	359,355	399,147	456,671	506,757
Occupancy rate (Period average)	89.8%	90.5%	92.9%	93.7%	91.3%	93.3%

Status of Major Strategic Business Ventures



Residential Business and Silver Business

Residential Business

(Unit: Yen million)		Results for FY ended March 2008	1Q results for FY ending March 2009	Forecasts for FY ending March 2009
Purchase contracts	Revenue	14,107	2,265	7,200
Sales	Value of sales contracts concluded	7,630	1,246	13,000
	Units sold	180	28	280
Revenue	Revenue	7,977	985	12,000
	Total units sold	188	23	250
Total revenue of Residential Business		11,281	1,164	15,000



“Lu Cerna kawaguchi Nakaaoiki”
Kawaguchi City, Saitama

Note: Includes real estate development.

Silver Business

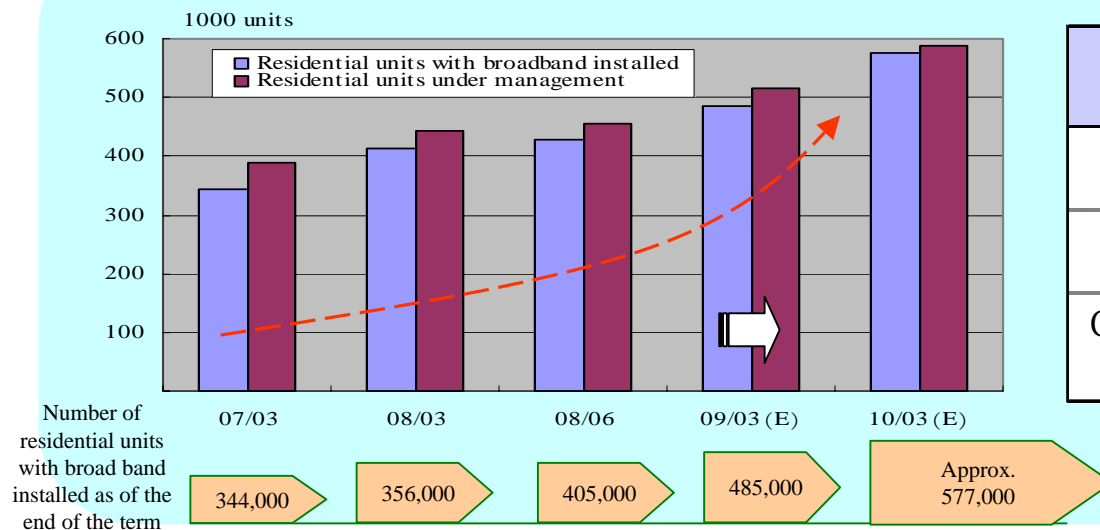
(Unit: Yen million)		Results for FY ended March 2008	1Q results for ending March 2009	Forecasts for FY ending March 2009
Direct operation	Revenue	2,668	965	6,500
	Total units as of end of term	35	43	58
Under contracts	Total value of contracts	10,221	269	6,000
	Units ordered	26	1	19
	Revenue	8,506	932	5,000
Total revenue of Silver Business		11,174	1,897	11,500



“Azumien Abiko,”
Abiko City, Chiba

Broadband Business and Leoplace Resort Business

<Broadband Business>



	07/3	08/03	08/06	09/03 (E)
Users	302,000	362,000	369,000	430,000
Sales (yen)	11.1bil	13.2bil	3.4bil	14.3bil
Gross profit on sales (yen)	0.86bil	1.32bil	0.34bil	1.43bil

<Leoplace Resort Business (LGC)>

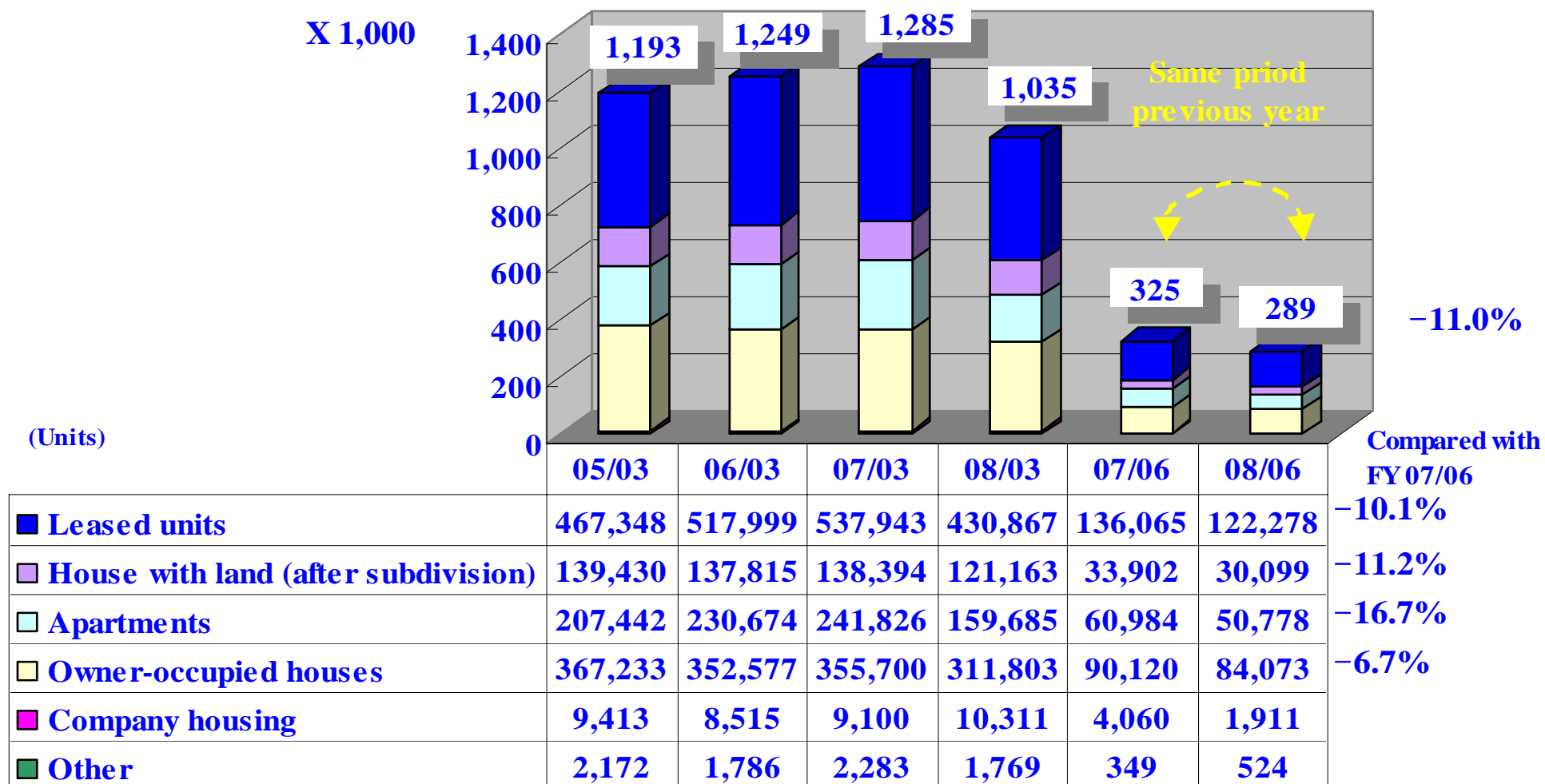
(Unit: 1,000 U.S dollars)		1Q results (Jan.-Mar.)	Interim results (Jan.-Jun.)	3Q results (Jan.-Sep.)	Full-year results (Jan.-Dec.)
07/12	Net sales	24,101	42,429	59,123	77,676
	Operating profit	5,186	5,972	5,373	4,920
	Depreciation expenses	3,790	7,563	11,328	15,160
	Occupancy rate (Leoplace Resort)	74.8%	63.0%	58.8%	59.1%
	Occupancy rate (Westin)	70.5%	61.9%	66.3%	64.1%
		1Q results (Jan.-Mar.)	Interim results (Jan.-Jun.)	3Q results (Jan.-Sep.)	FY 2008 forecasts (Jan.-Dec.)
08/12	Net sales	23,578	—	—	82,358
	Operating profit	4,390	—	—	6,123
	Depreciation expenses	3,867	—	—	15,555
	Occupancy rate (Leoplace Resort)	69.0%	60.5%	—	67.8%
	Occupancy rate (Westin)	69.3%	69.3%	—	72.4%

Appendix



New Housing Starts

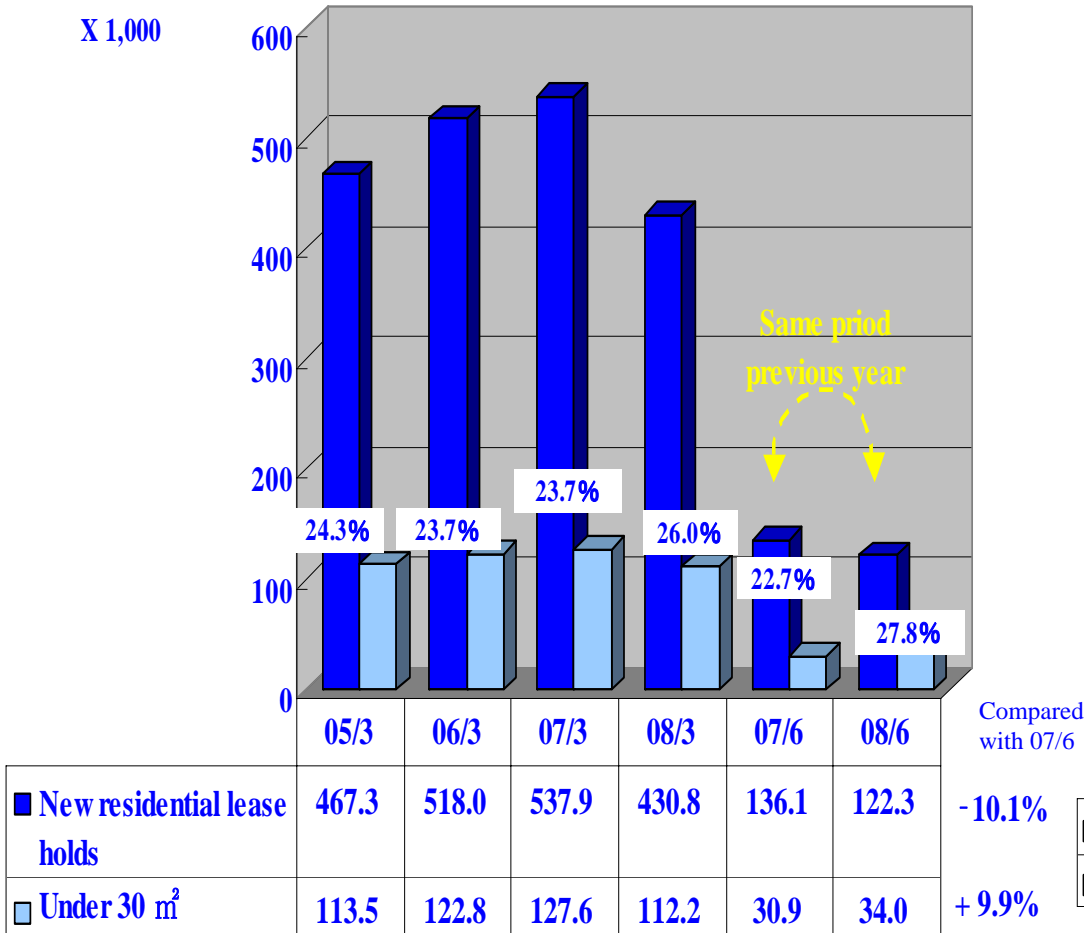
New Housing Starts (No. of use breakdown)



(Based on housing start statistics for the FY June 2008, Ministry of Land, Infrastructure & Transport)

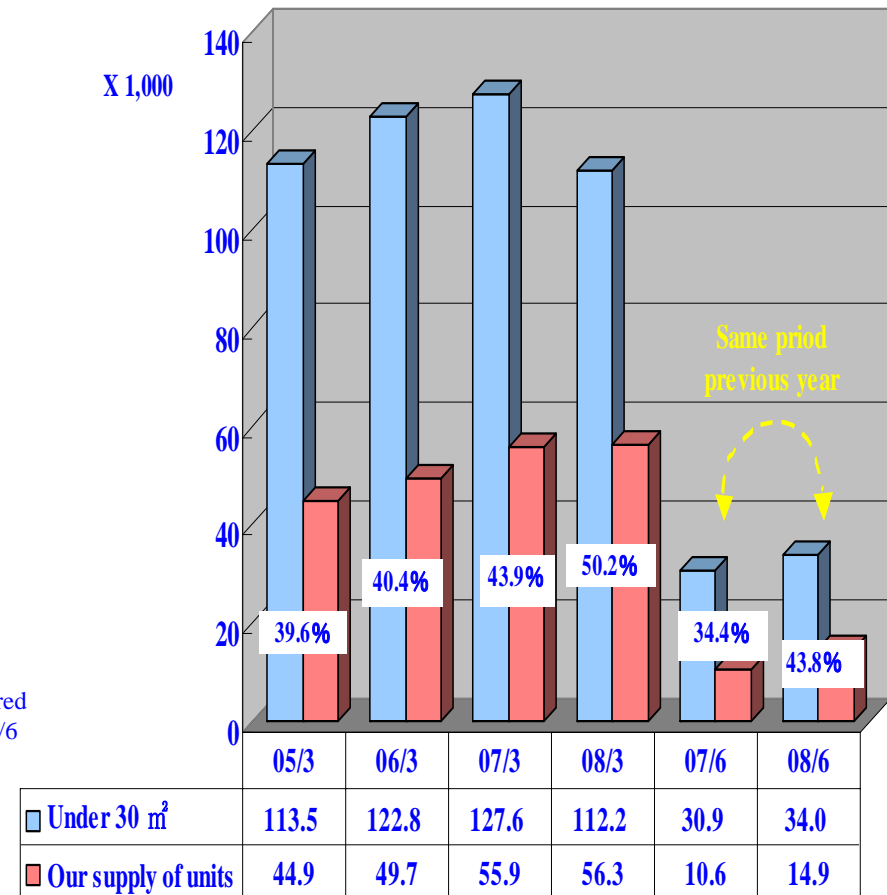
New Housing Starts (Units under 30 square meters)

Trend in No. of New Residential Leaseholds Overall & Market Share for Units under 30 Square Meters



(Based on housing start statistics for the FY June 2008, Ministry of Land, Infrastructure & Transport)

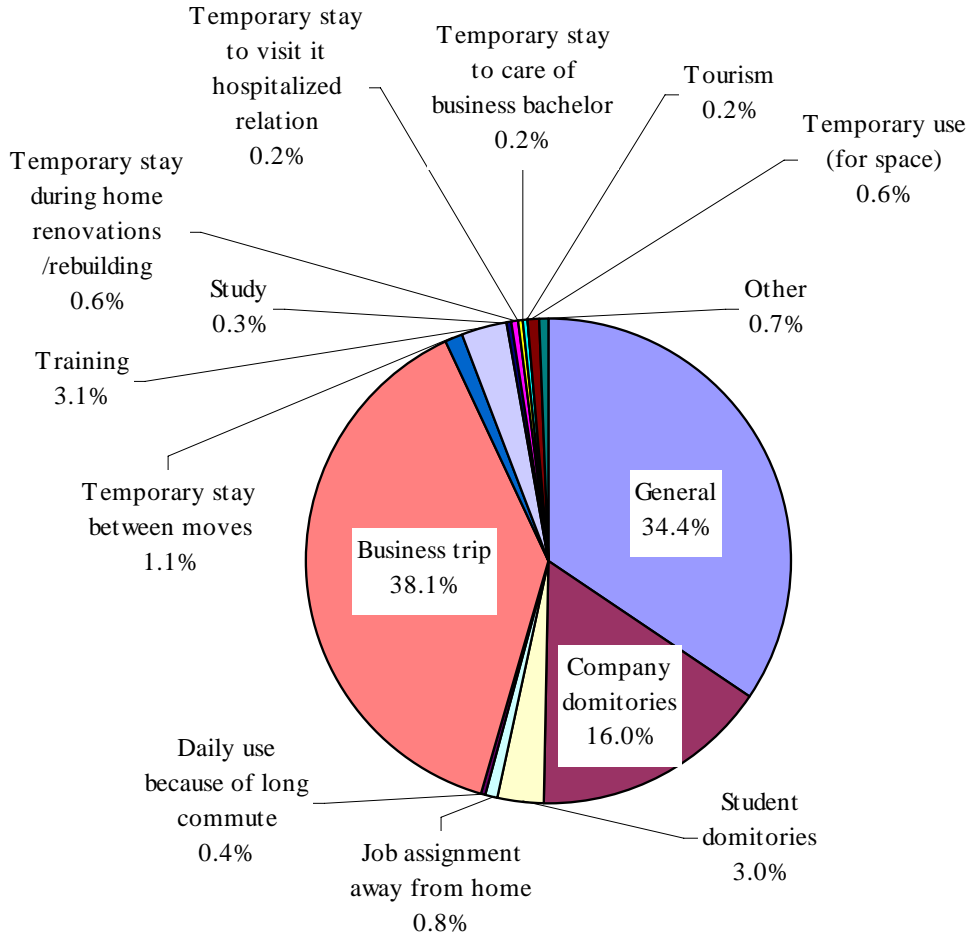
Trend in No. of New Residential Leaseholds under 30 Square Meters & Our Market Share



Note: Our supply units after 06/3 represents actual units sold.

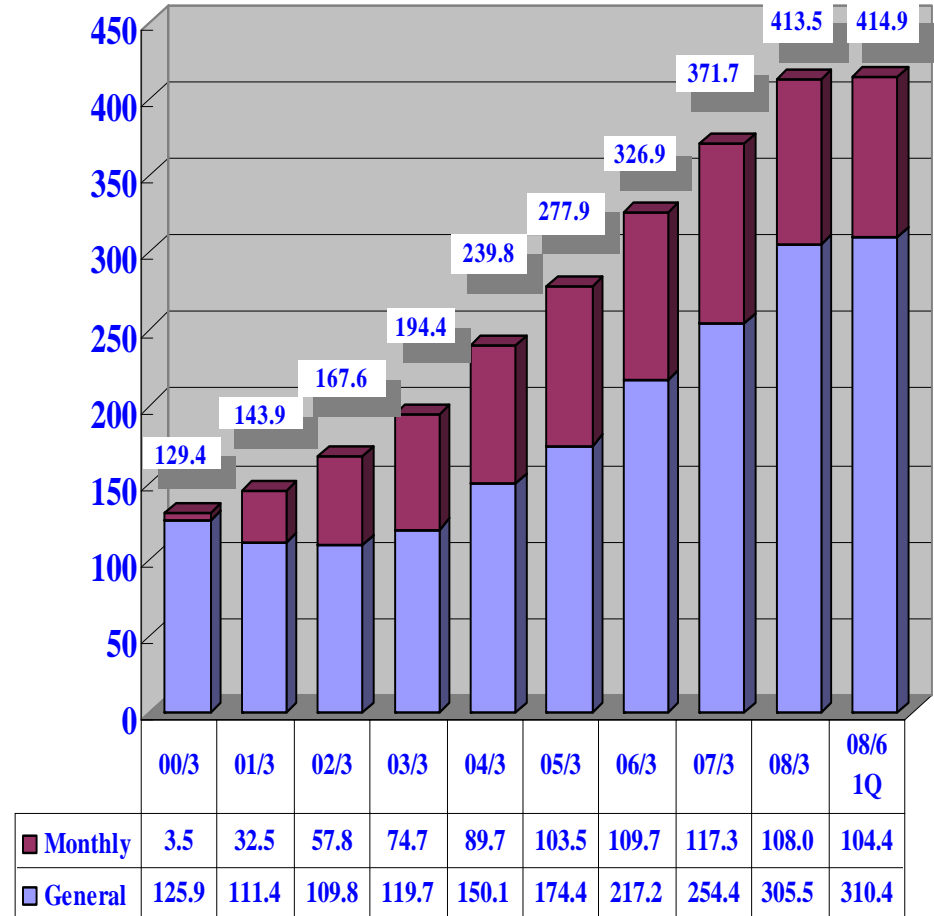
Usage Pattern for Leoplace21's One-Room Units and Contract Type

Breakdown of Users of Month-to-Month Leases (June 2008)



X 1,000

No. of Tenants by Contract Type



(Based on our company data, as of June 30, 2008)